

**2006 Relocation Towing
Annual Report Analysis
For the Years 2002 through 2006**

Transportation Bureau

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INTRODUCTION

Counties in Illinois can elect coverage under the Relocation of Trespassing Vehicle Law, which gives the Illinois Commerce Commission the authority to supervise and regulate the removal of trespassing vehicles from private property. Commission authority does not extend to tows of vehicles parked on public streets, tows by companies repossessing vehicles or tows directed by police. In 2006 the Commission was responsible for the regulation of 62 licensed commercial vehicle relocators, who operated within the five counties of Cook, DuPage, Will, Kane and Winnebago.

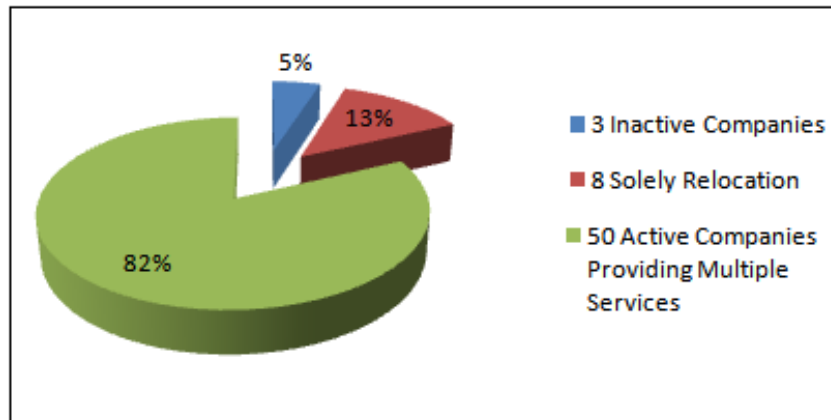
In accordance with Illinois Commercial Transportation Law, 625 ILCS 5/18a-200(6), the Commission has the authority to set reasonable rates for commercial towing or removal of trespassing vehicles from commercial property. The rates shall not exceed the mean average of the five highest rates for police tows within the territory served. Relocators seeking a rate increase must petition the Commission. In 2002, an industry-wide increase was approved establishing the relocation towing rate of \$125 and the storage rate of \$25 per day after the first 24 hours. Increases were also granted in 2004 and 2006 for 14 relocators, affecting roughly 70 percent of the industry, increasing rates to \$150 per tow and storage to \$37 per day after the first 24 hours. Finally, in July of 2007 an increase was granted for 8 companies representing 62 percent of the industry based upon information collected for 2006. Rates for those petitioners were increased to \$170 per tow and \$40 per day for storage after the first 24 hours.

All licensed relocation towers are required to file an annual report by May 15th of each year specifying their relocation and non-relocation financial and operational information. Part I of the Annual Report collects general information about relocator and non-relocator operations for towing companies that are located in the five counties regulated by the Illinois Commerce Commission. Part II gathers information about employees and equipment such as, the number of employees and pieces of equipment owned or leased. Part III requests operational information including the total number of tows and relocation tows, the number of vehicles and relocation towed vehicles that were stored (claimed and unclaimed) and the number of non-expired relocation towing contracts. Part IV requests financial information. Operating revenue and expense information is reported for the relocation business (towing, storage and other relocation activity), all other operating activity not related to relocation towing and total company results for the business as a whole. The following analysis is based on operational and financial information derived from the 61 annual reports filed for calendar year 2006, as well as information obtained over the four previous years.

ANALYSIS OF ANNUAL REPORT PART I: GENERAL INFORMATION

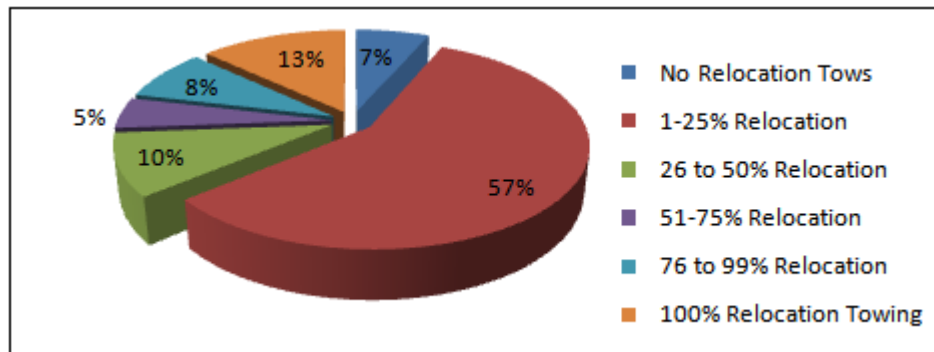
As shown in FIGURE 1, eight of the 61 companies submitting the annual report, or 13 percent, do solely relocation towing and three companies, representing five percent of the industry, did not report any relocation towing activity. One of these companies was totally inactive, reporting no revenue from any business activity.

FIGURE 1:
Companies Licensed for Relocation Towing



All but three of the companies that engage in other business in addition to relocation towing use the same facilities or equipment for both relocation towing and the other business activity. As shown in FIGURE 2, for 57 percent of the companies, relocation towing accounts for less than 25 percent of their towing activity.

FIGURE 2:
Percentage of Licensed Companies by Percentage of Business Dedicated to Relocation Towing



ANALYSIS OF ANNUAL REPORT PART II: EMPLOYEES & EQUIPMENT

It is unlawful for a relocater to employ any person as an operator or dispatcher who does not have a valid operator or dispatcher's employment permit. The Commission issues operator and dispatcher's employment permits only after police background checks. In 2006, the 61 relocation towers reported employing 557 operators and/or dispatchers and 212 other employees. In 2006, the 61 relocators reported using 402 power units of which 68 power units or 17 percent were leased.

ANALYSIS OF ANNUAL REPORT PART III: OPERATIONAL INFORMATION

Facilities

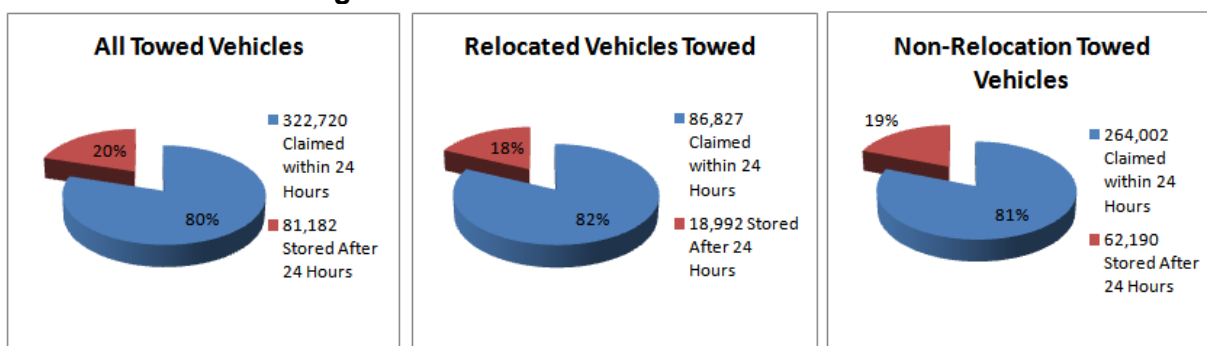
According to Illinois statutes, relocators must provide security for all storage lots and maintain personnel on call during business hours in order for vehicle owners to access the storage facility. Approximately 33 percent of the licensed relocators have more than one storage facility and three relocators have three storage facilities.

Of the 18,992 trespassing towed vehicles that were placed into storage for more than 24 hours, approximately 54 percent, or 10,304 vehicles, went unclaimed by their owners.

Towed & Unclaimed Vehicles

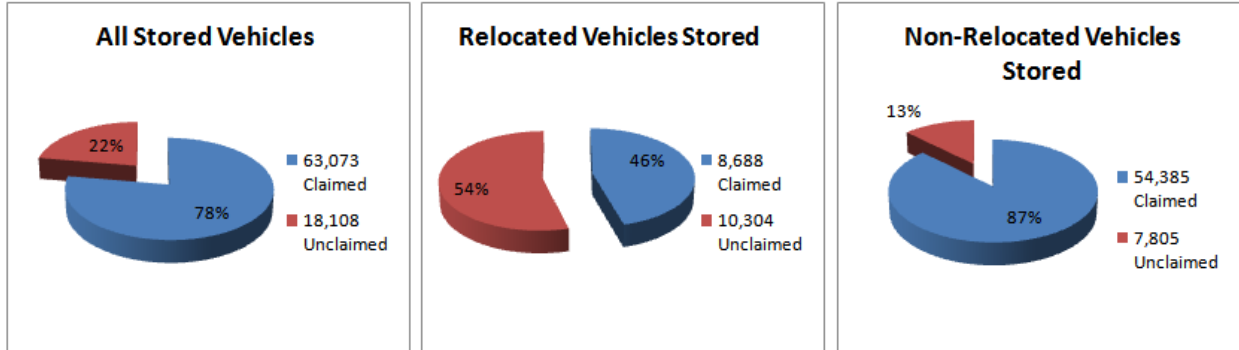
In FIGURE 3, the first pie chart on the left shows that 81,182 or 19 percent, of the 432,011 vehicles towed last year were placed into storage for more than 24 hours. The middle pie shows that 18,992 or 18 percent of the 105,819 relocated trespassing vehicles towed were placed into storage. The pie chart on the right shows that 62,190 vehicles or 19 percent of the 326,192 non-relocation vehicles towed were placed into storage for more than 24 hours. The charts as a group illustrate that the percentages do not vary significantly between relocation and non-relocation tows.

FIGURE 3:
Percentage of Towed Vehicles Stored More than 24 Hours



However, as FIGURE 4 on the following page illustrates, the variance between relocated and non-relocated vehicles placed into storage for more than 24 hours differs considerably. 54 percent of the trespassing vehicles placed into storage are unclaimed, which is a much higher percentage than the 13 percent of non-relocation towed vehicles that remain unclaimed.

**FIGURE 4:
Percentage of Stored Vehicles Unclaimed by Owner**



Relocator Towing Contracts

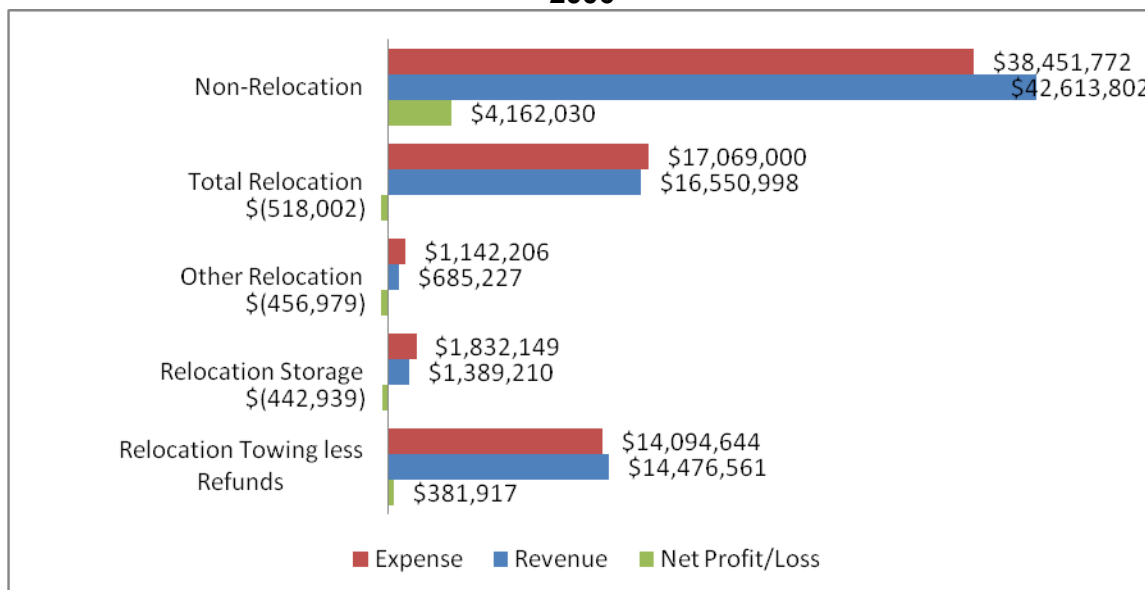
The Commission's regulations require that a rellocator must have a written authorization (contract) from the property owner or person in lawful authority or possession of the property, prior to removing any vehicle from the private property without the consent of the owner. Further, before a trespassing vehicle may be removed from private property, the rellocator must have posted appropriate signs stating the rellocator's name, address, telephone number and the amount of the towing and storage charge. Contracts are subject to review by the Commission and the private property lots are subject to inspection to assure signs are properly posted and displayed.

At the end of 2006, licensed relocators reported 36,776 active contracts with private property owners to remove trespassing vehicles, but all contracts did not result in tows. The number of contracts per relocation towing company varied from 0 to 5,311, averaging three tows per contract. Also noteworthy is the creation of a program, eRelocator, which allows relocation towing companies to electronically file contracts with the Commission.

ANALYSIS OF ANNUAL REPORT PART IV: FINANCIAL INFORMATION

The 61 relocation towers reported total revenue from all regulated and non-regulated operations of \$59,164,800 and total expenditures of \$55,520,771. The total of relocation towing, storage and other relocation receipts account for 28 percent of the total company revenues and 31 percent of the total company expenses. FIGURE 6 shows revenue, expense and net income or loss for the three components of relocation (towing, storage and other relocation activity), as well as the total non-relocation revenue and expense. Each section of the bar chart is discussed separately with additional figures to provide graphical representation of the data collected.

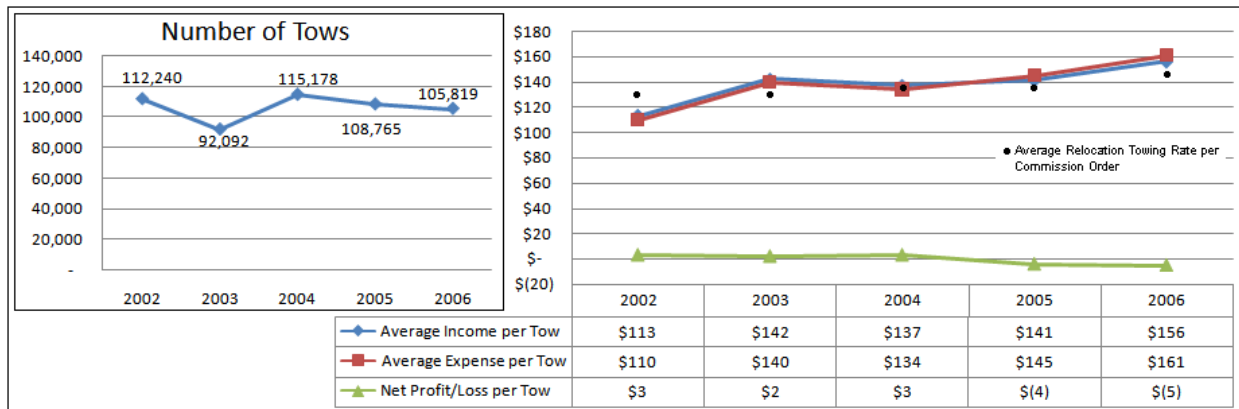
FIGURE 6:
Total Company Revenue, Expense and Net Income
2006



Relocation Towing

Relocators generated \$14,476,561 from towing trespassing vehicles in 2006, after refunds of \$138,415 for improper tows or complaint resolutions. Relocation towing expenses were reported as \$14,094,644 thereby producing a net income of \$381,917 or a 97 percent operating ratio for relocation towing activity. The average relocation tow generated revenue of \$156.00 per tow with an average expense of \$161.00 per tow. FIGURE 7 on the next page illustrates the average income and expense per relocation tow over a five year period. The inset reflects the total number of relocation tows for each of the last five years.

**FIGURE 7:
Average Income and Expense per Relocation Tow
2002-2006**

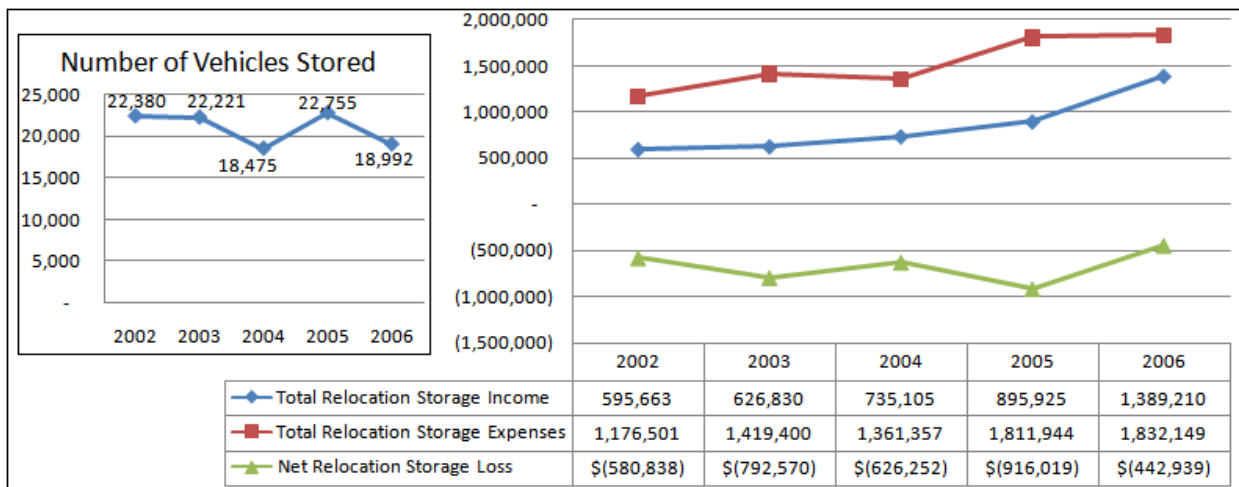


Relocation Storage

In 2006, relocators generated \$1,389,210 in storage revenue but incurred \$1,832,149 of storage expenses resulting in an operating ratio of 132 percent and a loss of \$442,939 for the storage of vehicles that were towed from private property. Along with the towing rate increase that was effective April 24, 2002, the Commission also granted a storage rate increase from \$15 per day to \$25 per day after the first 24 hours. Subsequent petitions for rate increases were granted in 2004 and 2006 for 14 relocators representing slightly more than 50 percent of the industry and increasing the tow rate to \$150 and storage to \$37 after the first 24 hours.

FIGURE 8 represents the average income and expense per trespassing vehicle charged storage over the last five years. The inset depicts the number of vehicles assessed storage during the same period.

**FIGURE 8:
Total Income and Expenses for Relocated Vehicles Assessed Storage
2002-2006**



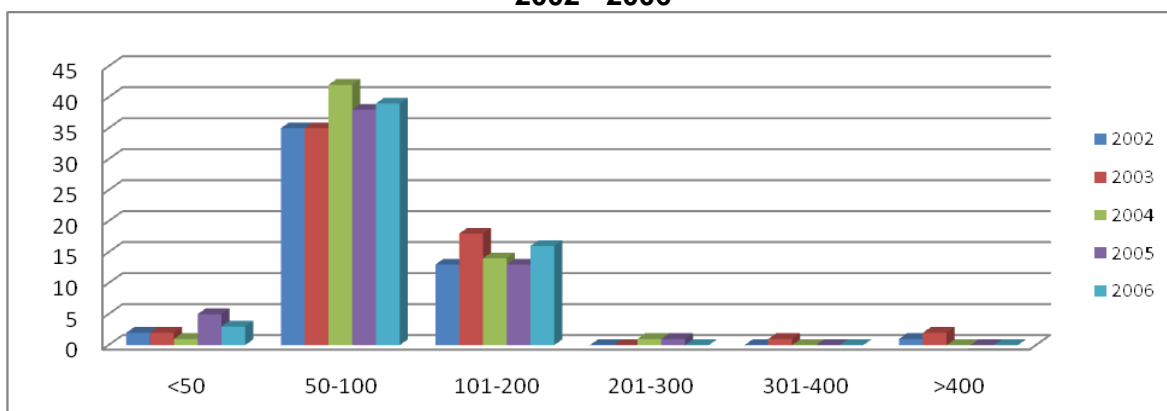
Other Relocation

Other relocation operating revenue and expense are generated from sale of scrapped and unclaimed vehicles, signage and miscellaneous relocater revenues. The relocation company incurs additional expenses in the legal and administrative process required to dispose of unclaimed vehicles as well as maintain signs and contracts. During 2006, relocators generated \$685,227 in revenue from other than relocater towing or storage activity and incurred \$1,142,206 in expenses, resulting in an operating ratio of 167 percent and a net operating loss of \$456,979. These charges cannot be directly attributed to the number of tows performed or storage assessed during the time period for this revenue category.

Net Relocation

In 2006, relocation companies aggregated \$16,550,998 in total revenue from relocation towing, storage and other relocation operations while incurring \$17,069,000 in expenses thereby resulting in an operating ratio for relocation activity of 103 percent or a net loss of \$518,002. In 2006, the variance among companies was smaller than in years past as no company exceeded 200 percent. FIGURE 9 compares the operating ratios for relocation activity for the years 2002 through 2006.

**FIGURE 10:
Net Relocation Operating Ratios
2002 - 2006**



Non-Relocation

As reported in Part 1, of the 61 licensed companies completing annual reports, 50 are engaged in towing activity other than regulated towing of trespassing vehicles. During 2006, these 50 companies generated revenues of \$42,613,802 in non-regulated towing, storage and other activities and incurred expenses of \$38,451,772 resulting in an operating ratio of 90 percent or a net operating profit of \$4,162,030 for all non-relocation operations.

Total Company

Total company revenues from regulated relocation of trespassing vehicles and non-regulated operations were \$59,164,800 with total expenses of \$55,520,771 generating a net profit from all operations of \$3,644,029. The operating ratio for relocation and non-relocation activity of all 61 companies was 94 percent.

SUMMARY & CONCLUSION

Eight of the 61 regulated companies submitting an annual report, or 13 percent, do solely relocation towing. For 57 percent of the companies, relocation tows account for less than 25 percent of their towing activity.

The majority of vehicles are claimed within 24 hours. The percentage of vehicles placed into storage for more than 24 hours does not vary significantly between trespassing and non-relocation vehicles, at 18 and 19 percent respectively.

Of vehicles placed into storage and being unclaimed, the difference between relocated and non-relocated vehicles varies greatly. 54 percent of relocated vehicles stored more than 24 hours remain unclaimed. That figure drops to 13 percent for non-relocated vehicles.

The relocation of trespassing vehicle operations, as a whole, aggregated \$16,550,998 in total revenue while incurring \$17,069,000 in expenses, netting a loss of \$518,002, producing an operating ratio of 103 percent. Despite having suffered net losses in relocation storage and other relocation operations, the relocators reported \$59,164,800 in total company revenues and \$55,520,771 in total company expenses, a net income of \$3,644,029 for all regulated and non-regulated towing operations in total.

Despite a net loss for the relocation towing operations of licensed companies, non-relocation towing operations experienced a net operating profit of \$4,162,030 resulting in an overall industry profit of \$3,664,029.

The annual report information includes operating and financial information for regulated and non-regulated towing operations, as well as joint expenses for usage of facilities, equipment and personnel. Relocators were contacted to improve the quality of the data. Nonetheless, a wide range in operating ratios makes generalization regarding the industry as a whole difficult, if not impossible. The annual report data used in this analysis was self-reported and not audited to assure that there were no material misstatements of financial or operational information.